

Condensed Consolidated Interim Financial Statements of



Three months ended March 31, 2022 and 2021

Condensed consolidated statement of financial position (Unaudited)

(000's)	Note	March 31, 2022	December 31, 2021
Assets			
Current assets			
Trade and other receivables	5	\$ 220,618	\$ 184,776
Inventories	6	20,929	16,998
Prepaid expenses and other		5,526	4,948
Income tax receivable		2,452	2,213
Total current assets		249,525	208,935
Non-current assets			
Property, plant and equipment	7	163,462	161,981
Right-of-use assets	8	19,768	22,057
Intangible assets	9	38,559	21,777
Goodwill	9	128,451	98,640
Other assets	10	18,948	18,158
Total non-current assets		369,188	322,613
Total assets		\$ 618,713	\$ 531,548
Liabilities			
Current liabilities			
Trade and other payables		\$ 140,461	\$ 121,868
Deferred revenue		5,722	1,946
Asset retirement obligations	12	5,736	5,277
Lease liabilities	8	6,262	7,346
Total current liabilities		158,181	136,437
Non-current liabilities			
Lease liabilities	8	16,637	17,722
Contingent consideration		1,142	1,142
Asset retirement obligations	12	6,786	5,283
Loans and borrowings	11	130,678	65,320
Other long term liabilities	4,13	3,197	769
Deferred income tax liabilities		2,036	527
Non-current liabilities		160,476	90,763
Total liabilities		318,657	227,200
Shareholders' Equity			
Share capital	13	233,648	233,541
Contributed surplus		1,445	1,199
Retained earnings		64,830	69,639
Non-controlling interest		133	(31)
Total shareholders' equity		300,056	304,348
Total liabilities and shareholders' equity		\$ 618,713	\$ 531,548

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed consolidated statement of comprehensive income (Unaudited)

<i>(000's except per share amounts)</i>	Note	Three months ended March 31,	
		2022	2021
Revenue			
Revenue from operations		\$ 223,960	\$ 155,404
Operating expenses			
Direct costs	14	200,735	130,310
Selling, general and administrative expenses	15	9,929	8,176
Depreciation	7,8	8,888	9,245
Amortization of intangible assets	9	1,456	823
Share based compensation	13	539	593
Loss (gain) on disposal of property, plant and equipment		(3)	161
Operating income		2,416	6,096
Finance costs		1,443	1,304
Earnings from equity investments		(475)	(752)
Earnings before income taxes		1,448	5,544
Income tax			
Income tax expense	16	390	1,070
Net earnings		\$ 1,058	\$ 4,474
Net Earnings Attributable to:			
Shareholders		\$ 894	\$ 4,277
Non-controlling interest		\$ 164	\$ 197
Earnings per common share:			
Net earnings per share, basic	18	\$ 0.01	\$ 0.07
Net earnings per share, diluted	18	\$ 0.01	\$ 0.07
Weighted average common shares outstanding:			
Basic	18	65,156	64,914
Diluted	18	65,577	65,272

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity (Unaudited)

<i>(000's)</i>	Note	Share capital - Number of Shares	Share capital	Contributed surplus	Retained earnings	Non- controlling interest	Total
Balance as at December 31, 2020		64,869	\$ 232,348	\$ 354	\$ 66,451	\$ 1,823	\$ 300,976
Dividends	19	—	—	—	(4,880)	(40)	(4,920)
Exercise of stock options		200	852	(242)	—	—	610
Share based compensation		—	—	444	—	—	444
Net income		—	—	—	4,277	197	4,474
Balance as at March 31, 2021		65,069	\$ 233,200	\$ 556	\$ 65,848	\$ 1,980	\$ 301,584
Balance as at December 31, 2021		65,151	\$ 233,541	\$ 1,199	\$ 69,639	\$ (31)	\$ 304,348
Dividends	19	—	—	—	(5,703)	—	(5,703)
Exercise of stock options	13	24	107	(28)	—	—	79
Share based compensation	13	—	—	274	—	—	274
Net income		—	—	—	894	164	1,058
Balance as at March 31, 2022		65,175	\$ 233,648	\$ 1,445	\$ 64,830	\$ 133	\$ 300,056

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows (Unaudited)

(000's)	Note	Three months ended March 31,	
		2022	2021
Cash provided by (used in):			
Operating activities:			
Net earnings		\$ 1,058	\$ 4,474
Adjustments for:			
Depreciation	7,8	8,888	9,245
Amortization of intangible assets	9	1,456	823
Share based compensation	13	539	593
Loss (gain) on disposal of property, plant and equipment		(3)	161
Book value of used fleet transferred to inventory upon sale	7	1,040	1,634
Transferred from inventory to rental fleet	7	(2,849)	—
Earnings on equity investments		(475)	(752)
Asset retirement obligation settled	12	—	(336)
Finance costs		1,443	1,304
Income tax expense	16	390	1,070
Changes in non-cash working capital	17	(18,870)	3,179
Income taxes paid	16	(365)	(3,530)
Net cash flows from (used in) operating activities		(7,748)	17,865
Investing activities:			
Purchase of property, plant and equipment	7	(1,202)	(1,711)
Purchase of intangible assets	9	(4)	(705)
Acquisition of Dana	4	(30,024)	—
Acquisition of Tricom	4	(17,136)	—
Capital contribution for equity investments		(472)	(202)
Proceeds on sale of property, plant and equipment		—	27
Net cash flows used in investing activities		(48,838)	(2,591)
Financing activities:			
Issuance of common shares	13	79	610
Payments for lease liabilities		(1,797)	(3,165)
Advances (repayments) on loans and borrowings	11	65,250	(6,616)
Finance costs paid		(1,245)	(1,198)
Dividends paid to non-controlling interest		—	(40)
Dividends paid to shareholders	19	(5,701)	(4,865)
Net cash flows from (used in) financing activities		56,586	(15,274)
Change in cash position		—	—
Cash, beginning of period		—	—
Cash, end of period		\$ —	\$ —

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

1. Reporting entity

Dexterra Group Inc. (“Dexterra Group” or the “Corporation”) is a corporation registered and domiciled in Canada and its common shares are listed on the Toronto Stock Exchange (“TSX”) under the symbol DXT. Dexterra Group is a diversified support services organization delivering quality solutions for the creation, management, and operation of infrastructure across Canada. Our Integrated Facilities Management (“IFM”) business delivers a suite of operation and maintenance solutions for built assets and infrastructure in the public and private sectors, including aviation, defence, education, rail, healthcare, and leisure. Our Workforce Accommodations, Forestry and Energy Services (“WAFES”) business provides a full range of workforce accommodations solutions, forestry services and access solutions to clients in the energy, mining, forestry and construction sectors among others. Our Modular Solutions business integrates modern design concepts with off-site manufacturing processes to produce high-quality building solutions for rapid affordable housing, commercial, residential and industrial clients.

On January 1, 2022, Dexterra Group acquired 100% of privately owned Canadian food services company FCPI Dana Investments Inc. (“Dana”) for \$31.5 million. This acquisition expands the Corporation’s existing culinary services into education, entertainment, healthcare, and leisure activities and will be reported as part of the IFM segment.

On January 31, 2022, Dexterra Group acquired the assets of the privately owned TRICOM Facility Services group of companies (“Tricom”) for a purchase price of \$19 million. The acquired assets are held in Dexterra Group Inc. and in Dexterra Services LLC (“Dexterra USA”) which was incorporated for the acquisition of Tricom’s US operations. Tricom delivers contract janitorial and associated building maintenance services and supplies custodial equipment and consumables to clients in major centres across Canada and in the United States. Tricom will be reported as part of the IFM segment.

2. Statement of compliance

These financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies the Corporation adopted in its consolidated financial statements for the year ended December 31, 2021. The condensed consolidated interim financial statements do not include all of the information required for annual financial statements. These financial statements were approved by the board of directors of Dexterra Group on May 10, 2022.

3. Basis of Preparation

The basis of preparation, and accounting policies and methods of their application in these condensed consolidated interim financial statements, including comparatives, are consistent with those used in Dexterra Group’s audited annual consolidated financial statements for the year ended December 31, 2021, and should be read in conjunction with those annual consolidated financial statements. The Corporation’s functional currency, and the preparation currency of the condensed consolidated interim financial statements is the Canadian dollar.

4. Business Combinations

Acquisitions are accounted for using the acquisition method whereby the assets acquired, and the liabilities assumed were recorded at their fair values with the surplus of the aggregate consideration relative to the fair value of the identifiable net assets recorded as goodwill. The results of operations are included in the Corporation's consolidated financial statements from the respective dates of acquisition.

On January 1, 2022, Dexterra Group acquired 100% of the issued and outstanding shares of FCPI Dana Investments Inc., the General Partner and sole owner of Dana Hospitality Limited Partnership and Marek Hospitality Inc. for total cash consideration in the amount of \$30.6 million net of working capital adjustments. This acquisition expands the existing culinary services of the Corporation in its IFM segment.

On January 31, 2022, Dexterra Group acquired the business and certain assets of Tricom Building Maintenance, Tricom Service Corp., and Kwik Supply Inc. for total consideration of \$19.1 million. The acquisition increases the scale of the existing IFM business and provides access to new market sectors.

From the date of acquisition to March 31, 2022, the acquired operations contributed \$25.2 million of revenue and \$0.3 million of earnings before tax to the Corporation. If both business combinations had been completed on January 1, 2022, the revenue and income before income tax for the three-month period ending March 31, 2022, would have been approximately \$27.4 million and \$0.8 million, respectively.

The Corporation incurred costs related to the acquisitions of \$0.8 million relating to legal, restructuring, due diligence and external advisory fees. As of December 31, 2021, \$0.2 million of these costs were included in selling, general & administrative expenses on the consolidated statement of comprehensive income with the remaining costs incurred in the period ended March 31, 2022.

As at March 31, 2022, the Corporation has not finalized the purchase price equations.

(a) Dana

The following summarizes the assets acquired and liabilities assumed:

Consideration:	(000's)
Cash consideration	\$ 30,580
Fair value of assets acquired and liabilities assumed:	
Cash	\$ 556
Trade & other receivables	7,318
Inventories	1,396
Prepaid expenses and other	271
Property, plant and equipment	2,635
Right-of-use assets	236
Trade and other payables	(9,964)
Lease liabilities	(236)
Deferred income tax liabilities	(1,245)
Tangible Net Assets	\$ 967
Customer Relationships	12,000
Trade Names	750
Goodwill	16,863
Total Identifiable Net Assets	\$ 30,580

The primary factors that contributed to the residual purchase price allocation and resulted in the recognition of goodwill are: the assembled workforce of Dana, cross selling growth opportunities with existing customers, and the increased additive service offerings to existing customers. The goodwill recognized is not deductible for income tax purposes.

**Notes to the condensed consolidated interim financial statements (Unaudited)
Three months ended March 31, 2022 and 2021**

(b) Tricom

The following summarizes the assets acquired and liabilities assumed:

Consideration:		(000's)
Cash consideration	\$	17,136
Holdback payable		2,000
Total consideration	\$	19,136
Fair value of assets acquired and liabilities assumed:		
Inventories	\$	174
Property, plant and equipment		313
Other		163
Right-of-use assets		275
Lease liabilities		(275)
Tangible net assets	\$	650
Customer Relationships		5,500
Goodwill		12,986
Total identifiable net assets	\$	19,136

The primary factors that contributed to the residual purchase price allocation and resulted in the recognition of goodwill and intangible assets are: the existing client contracts; access to growth opportunities with existing customers; and the combined strategic value to the Corporations growth plan.

The acquisition also includes a performance-based incentive payment (the "Earn-out") to a maximum of \$5 million which is based upon the actual results over two years, ending January 31, 2024, and continuing employment of certain key employees. This Earn-out will be recorded in the consolidated statement of comprehensive income as an expense as incurred. For the period ended March 31, 2022, the Corporation recorded \$0.2 million in Earn-out expense and this amount is included in the other long term liabilities.

In addition, the acquisition includes a holdback that will be released to the previous owners eighteen months after the closing date of the transaction less any amounts paid. As at March 31, 2022, the amount of \$2.0 million has been included in the other long term liabilities on the statement of financial position.

Notes to the condensed consolidated interim financial statements (Unaudited)
Three months ended March 31, 2022 and 2021

5. Trade and other receivables

<i>(000's)</i>	March 31, 2022	December 31, 2021
Trade receivables	\$ 132,433	\$ 115,265
Modular holdbacks receivables	10,912	10,297
Deferred trade receivables	14,476	12,428
Total trade and modular receivables	\$ 157,821	\$ 137,990
Accrued trade receivables	52,182	43,504
Other receivables	11,797	4,460
Allowance for expected credit losses	(1,182)	(1,178)
Total	\$ 220,618	\$ 184,776

Modular holdback receivables and deferred trade receivables of \$25.4 million (December 31, 2021 - \$22.7 million) represent amounts billed on contracts which are not due until the contract work is substantially complete and any lien period has expired. All Modular holdback receivables and deferred trade receivables are expected to be collected within 12 months.

6. Inventories

<i>(000's)</i>	March 31, 2022	December 31, 2021
Raw materials	\$ 11,923	\$ 7,463
Modular work-in-progress	3,555	3,444
Finished goods and supplies	5,451	6,091
Inventories	\$ 20,929	\$ 16,998

7. Property, plant and equipment

Carrying Amounts <i>(000's)</i>	Camp equipment & mats	Land & buildings	Automotive & trucking & equipment	Manufacturing & other equipment	Total
Cost					
December 31, 2021	\$ 145,713	\$ 29,603	\$ 17,701	\$ 9,336	\$ 202,353
Additions	539	246	197	220	1,202
Acquisition of Dana (Note 4 (a))	—	2,635	—	—	2,635
Acquisition of Tricom (Note 4 (b))	—	—	190	123	313
Asset retirement obligations (Note 12)	1,925	—	—	—	1,925
Transferred from inventory	2,849	—	—	—	2,849
Transferred to inventory for sale	(1,159)	—	—	—	(1,159)
Disposals	(1,551)	—	(12)	—	(1,563)
March 31, 2022	\$ 148,316	\$ 32,484	\$ 18,076	\$ 9,679	\$ 208,555
Accumulated Depreciation					
December 31, 2021	\$ 23,149	\$ 2,359	\$ 9,990	\$ 4,874	\$ 40,372
Depreciation	3,475	621	1,371	917	6,384
Transferred to inventory for sale	(119)	—	—	—	(119)
Disposals	(1,534)	—	(10)	—	(1,544)
March 31, 2022	\$ 24,971	\$ 2,980	\$ 11,351	\$ 5,791	\$ 45,093
Net book value					
March 31, 2022	\$ 123,345	\$ 29,504	\$ 6,725	\$ 3,888	\$ 163,462
December 31, 2021	\$ 122,564	\$ 27,244	\$ 7,711	\$ 4,462	\$ 161,981

**Notes to the condensed consolidated interim financial statements (Unaudited)
Three months ended March 31, 2022 and 2021**

8. Leases

(i) Right-of-use assets

(000's)	Camp equipment & mats	Land & buildings	Automotive & trucking equipment	Manufacturing & other equipment	Total
Cost					
December 31, 2021	\$ 5,554	\$ 25,926	\$ 2,701	\$ 520	\$ 34,701
Acquisition of Dana (Note 4 (a))	—	105	131	—	236
Acquisition of Tricom (Note 4 (b))	—	179	96	—	275
Additions	—	25	318	—	343
Disposals	(1,718)	(671)	(15)	—	(2,404)
March 31, 2022	\$ 3,836	\$ 25,564	\$ 3,231	\$ 520	\$ 33,151
Accumulated Depreciation					
December 31, 2021	\$ 2,743	\$ 8,436	\$ 1,111	\$ 354	\$ 12,644
Depreciation	826	1,428	208	42	2,504
Disposals	(1,086)	(671)	(8)	—	(1,765)
March 31, 2022	\$ 2,483	\$ 9,193	\$ 1,311	\$ 396	\$ 13,383
Net book value					
March 31, 2022	\$ 1,353	\$ 16,371	\$ 1,920	\$ 124	\$ 19,768
December 31, 2021	\$ 2,811	\$ 17,490	\$ 1,590	\$ 166	\$ 22,057

(ii) Lease liabilities

Maturity Analysis – contractual undiscounted cash flows	(000's)
Year 1	\$ 7,311
Year 2	4,861
Year 3	3,756
Year 4	3,197
Year 5 and beyond	7,164
Total undiscounted lease payable as at March 31, 2022	\$ 26,289
Lease liabilities included in the statement of financial position at March 31, 2022	\$ 22,899
Current	6,262
Non-current	16,637

At March 31, 2022, the Corporation has not sub-leased any right-of-use assets. There were no restrictions or covenants imposed by leases of a material nature and there were no sale and leaseback transactions.

The amount of lease interest expense recognized during the three months ended March 31, 2022 is \$0.3 million (2021 - \$0.3 million).

**Notes to the condensed consolidated interim financial statements (Unaudited)
Three months ended March 31, 2022 and 2021**

9. Intangibles and Goodwill

Intangible assets at the consolidated statement of financial position date are as follows:

(000's)	Trade Names	Customer Relationships	Computer software and other	Total
Cost				
December 31, 2021	\$ 3,800	\$ 22,483	\$ 4,580	\$ 30,863
Acquisition of Dana (Note 4(a))	750	12,000	—	12,750
Acquisition of Tricom (Note 4(b))	—	5,500	—	5,500
Foreign currency translation ⁽¹⁾	—	(16)	—	(16)
Additions	—	—	4	4
March 31, 2022	\$ 4,550	\$ 39,967	\$ 4,584	\$ 49,101
Accumulated Amortization				
December 31, 2021	\$ 1,031	\$ 5,760	\$ 2,295	\$ 9,086
Amortization	225	569	662	1,456
March 31, 2022	\$ 1,256	\$ 6,329	\$ 2,957	\$ 10,542
Net book value				
March 31, 2022	\$ 3,294	\$ 33,638	\$ 1,627	\$ 38,559
December 31, 2021	\$ 2,769	\$ 16,723	\$ 2,285	\$ 21,777

(1) Foreign currency translation relates to the Tricom assets held in Dexterra Services LLC in the US which has a functional currency of US dollars.

Goodwill at the consolidated statement of financial position date is as follows:

(000's)	March 31, 2022	December 31, 2021
Goodwill allocated to:		
Integrated Facilities Management ⁽²⁾	\$ 93,866	\$ 64,055
Workforce Accommodations and Forestry	34,585	34,585
Balance, end of period	\$ 128,451	\$ 98,640

(2) See Note 4 for additions to goodwill of \$29.8 million related to acquisitions completed in 2022.

10. Other assets

Other assets at March 31, 2022 include equity accounted investments in Gitxaala Horizon North Services Limited Partnership ("Gitxaala") and Big Spring Lodging Limited Partnership ("BSL LP"), both joint ventures that are 49% owned by the Corporation with carrying value of \$16.2 million (December 31, 2021 - \$15.2 million) and \$1.8 million (December 31, 2021 - \$1.9 million) respectively. These equity investments represent operations of the WAFES segment and generate earnings from providing workforce accommodations, rentals, and maintenance of relocatable structures. In addition to the equity investments, the other assets include long-term lease receivables of \$0.9 million (December 31, 2021 - \$1.1 million).

11. Loans and borrowings

(000's)	March 31, 2022	December 31, 2021
Committed credit facility	\$ 131,719	\$ 66,469
Unamortized financing costs	(1,041)	(1,149)
Total borrowings	\$ 130,678	\$ 65,320

Effective September 7, 2021, the Corporation reached an agreement with its lenders to amend its credit facility and extend the maturity date to September 7, 2024. The amended credit facility has an available limit of \$200 million plus an uncommitted accordion of \$125 million and is secured by a \$400 million first fixed and floating charge debenture over all assets of the Corporation and its wholly-owned subsidiaries. The interest rate for the credit facility is calculated on a grid pricing structure based on the Corporation's debt to EBITDA ratio. Amounts drawn on the credit facility incur interest at bank prime rate plus 0.50% to 1.75% or the Bankers' Acceptance rate plus 1.50% to 2.75%. The credit facility has a standby fee ranging from 0.30% to 0.55% per annum.

As at March 31, 2022, the Corporation was in compliance with all financial and non-financial covenants related to the credit facility and available borrowing capacity was \$59.2 million (December 2021 - \$124.5 million), after adjusting for \$9.1 million (December 2021 - \$9.1 million) in letters of credit outstanding at March 31, 2022.

**Notes to the condensed consolidated interim financial statements (Unaudited)
Three months ended March 31, 2022 and 2021**

12. Asset retirement obligations

Provisions include constructive site restoration obligations for company owned camp projects to restore lands to previous condition when camp facilities are dismantled and removed.

<i>(000's)</i>	March 31, 2022	December 31, 2021
Balance, beginning of period	\$ 10,560	\$ 11,629
Additions	1,608	—
Asset retirement obligations settled	—	(2,041)
Change in estimate	317	914
Accretion of provisions	37	58
Balance, end of period	\$ 12,522	\$ 10,560

The estimated present value of rehabilitating the sites at the end of their useful lives has been estimated using existing technology, adjusted for inflation and discounted using a risk-free rate. The future value amount of \$13.0 million at March 31, 2022 (December 31, 2021 - \$10.7 million) was determined using a risk free interest rate of 2.21% and an inflation rate of 1.87%. The timing of these payments is dependent on various factors, such as the estimated lives of the equipment and industry activity in the region but is anticipated to occur up to 2028.

<i>(000's)</i>	March 31, 2022	December 31, 2021
Current	\$ 5,736	\$ 5,277
Non-current	6,786	5,283
Balance, end of period	\$ 12,522	\$ 10,560

13. Share capital

(a) Authorized and issued

The Corporation is authorized to issue an unlimited number of voting common shares without nominal or par value and an unlimited number of preferred shares issuable in series, of which no preferred shares are outstanding. The number of common shares and share capital are presented in the table below:

<i>(In 000's, other than number of shares)</i>	Total number of shares	Total share capital
Balance, December 31, 2021	65,151,083	\$ 233,541
Options exercised	23,767	107
Balance, March 31, 2022	65,174,850	\$ 233,648

(b) Long-term incentive plans

(i) Share option plan

	Outstanding options	Weighted average exercise price
Balance, December 31, 2021	1,200,140	\$ 4.66
Granted	516,044	8.46
Exercised	(23,767)	3.31
Forfeited	(21,258)	4.87
Balance, March 31, 2022	1,671,159	\$ 5.85

**Notes to the condensed consolidated interim financial statements (Unaudited)
Three months ended March 31, 2022 and 2021**

The exercise prices for options outstanding and exercisable at March 31, 2022 are as follows:

Exercise price per share	Total options outstanding			Exercisable options	
	Number	Weighted average exercise price per share	Weighted average remaining contractual life in years	Number	Weighted average exercise price per share
\$3.05	606,334	\$ 3.05	3.2	143,008	\$ 3.05
\$6.21 to \$6.53	548,781	6.48	3.8	185,494	6.48
\$7.55 to \$8.50	516,044	8.46	4.8	—	—
	1,671,159	\$ 5.85	3.9	328,502	\$ 4.99

The Corporation calculated the fair value of the share options granted using the Black-Scholes pricing model to estimate the fair value of the share options issued at the date of grant. The weighted average fair value of all options granted during the period and the assumptions used in their determination are as follows:

	March 31, 2022	December 31, 2021
Fair value per option	\$ 2.57	\$ 2.08
Forfeiture rate	9.24 %	10.00 %
Grant price	\$ 8.45	\$ 6.49
Expected life	3.0 years	3.0 years
Risk free interest rate	1.18 %	0.25 %
Dividend yield rate	4.97 %	4.62 %
Volatility	59.59 %	62.92 %

Expected volatility is estimated by considering historic average share price volatility. For the three months ended March 31, 2022, share based compensation for share options included in net earnings amounted to \$0.3 million (2021 - \$0.4 million).

(ii) Restricted Share Units (“RSU”) and Performance Share Units (“PSU”) incentive award plan

(a) RSUs

The Corporation has a RSU Plan whereby RSUs may be granted, subject to certain terms and conditions.

Under the terms of the RSU Plan, the awarded units vest in three equal portions on the first, second and third anniversary from the grant date, and will be settled in cash in the amount equal to the fair market value of the Corporation's share price on that date. All outstanding RSUs have been granted to members of the Board of Directors.

The following table summarizes the RSU’s outstanding:

	Number
Units outstanding at December 31, 2021	28,970
Granted	21,307
Exercised	(9,656)
Units outstanding at March 31, 2022	40,621

(b) PSUs

The Corporation has a PSU Plan whereby PSUs may be granted, subject to certain terms and conditions.

Under the terms of the PSU Plan, the awarded units vest on the third anniversary of the grant date according to the vesting criteria, and the vested units will be settled in cash in the amount equal to the fair market value of the Corporation's share price on that date. The vesting criteria is fixed by the Board. Performance Criteria set by the Board at the time of the grant of PSUs, may include i) total shareholder return, including dividends; ii) the participant’s satisfactory individual performance; and (iii) any other terms and conditions the Board may in its discretion determine with respect to vesting. The PSUs have been issued to the Corporation’s officers and key employees and will be settled in cash upon vesting, if the performance criteria are met.

The following table summarizes the PSU’s outstanding:

	Number
Units outstanding at December 31, 2021	291,762
Granted	266,604
Forfeited	(10,582)
Units outstanding at March 31, 2022	547,784

**Notes to the condensed consolidated interim financial statements (Unaudited)
Three months ended March 31, 2022 and 2021**

As at March 31, 2022, trade and other payables included \$0.2 million (December 2021 - \$0.2 million) for outstanding RSUs. For three months ended March 31, 2022, share based compensation included \$0.03 million for RSUs in net earnings (March 2021 - \$0.02 million).

As at March 31, 2022, other long-term liabilities included \$0.9 million for outstanding PSUs (December 31, 2021 - \$0.8 million). For the three months ended March 31, 2022, share based compensation included \$0.2 million for PSUs in net earnings (March 2021 - \$0.1 million).

14. Direct costs

(000's)	Three months ended March 31,	
	2022	2021 ⁽¹⁾
Cost of goods manufactured - materials and direct labour	\$ 35,324	\$ 33,844
Wages and benefits	71,442	47,714
Subcontracting	17,619	12,388
Product cost	53,217	19,365
Equipment and repairs	2,211	2,562
Transportation and travel	4,158	2,945
Partnership profit sharing	3,084	1,180
Workforce accommodations operating costs	7,432	7,515
Corporate	4,050	—
Other operating expense	2,198	2,797
	\$ 200,735	\$ 130,310

(1) Certain prior year amounts have been amended to conform to the current period's presentation.

Included in wages and benefits is the impact of the Canada Emergency Wage Subsidy ("CEWS"), which reduced wages and benefits by nil (2021 - \$4.8 million) for the three months ended March 31, 2022.

15. Selling, general and administrative expenses

(000's)	Three months ended March 31,	
	2022	2021
Wages and benefits	\$ 4,932	\$ 4,517
Other selling and administrative expenses	4,997	3,659
	\$ 9,929	\$ 8,176

Included in wages and benefits is the impact of CEWS, which reduced wages and benefits by nil (2021 - \$0.1 million) for the three months ended March 31, 2022 .

16. Income taxes

For the three months ended March 31, 2022, the Corporation's effective income tax rate was 26.9%, compared to 19% in 2021. The effective tax rate for the three months ended March 31, 2022 is consistent with the combined federal and provincial income tax rates. In 2021, the effective tax rate was lower than the combined federal and provincial income tax rate primarily due to recognizing the tax benefit from non-capital loss carryforwards in the amount of \$1.1 million that met the recognition criteria as a result of tax planning efforts and the future expected profitability of the related business.

The Corporation has non-capital losses for Canadian tax purposes of \$84.7 million at March 31, 2022 (December 31, 2021 - \$79.9 million) available to reduce future taxable income in Canada. The Corporation expects to fully utilize these losses before their expiry.

The Corporation paid \$0.4 million (2021 - \$3.5 million) in income taxes for the three months ended March 31, 2022. Payment of taxes for the year ended December 31, 2021 of \$2.2 million will be refunded based on the tax reorganization completed in late 2021.

**Notes to the condensed consolidated interim financial statements (Unaudited)
Three months ended March 31, 2022 and 2021**

The current and deferred tax expense breakdown is as follows:

	Three months ended March 31,	
	2022	2021
Income tax expense (000's):		
Current	\$ 126	\$ 520
Deferred	264	550
	\$ 390	\$ 1,070

17. Cash flow information

The details of the changes in non-cash working capital are as follows:

(000's)	Three months ended March 31,	
	2022	2021
Trade and other receivables	\$ (28,361)	\$ 2,008
Inventories	(2,361)	(2,108)
Prepaid expenses and other	(150)	223
Trade and other payables	8,226	2,017
Deferred revenue	3,776	1,039
	\$ (18,870)	\$ 3,179

18. Net earnings per share

A summary of the common shares used in calculating earnings per share is as follows:

	Three months ended March 31,	
	2022	2021
Number of common shares, beginning of period	65,151,083	64,869,417
Common shares issued, weighted average	5,168	44,444
Weighted average common shares outstanding - basic	65,156,251	64,913,861
Effect of share purchase options ⁽¹⁾	420,883	357,939
Weighted average common shares outstanding - diluted	65,577,134	65,271,800

(1) The Corporation utilizes the treasury stock method for calculating the dilutive effect of share purchase options when the average market price of the Corporation's common stock during the period exceeds the exercise price of the option.

19. Dividends

A dividend of \$0.0875 per share was declared for the quarter ended March 31, 2022 and has been accrued in trade and other payables as at March 31, 2022. The dividend is payable to shareholders of record at the close of business on March 31, 2022 and was paid on April 15, 2022. A dividend of \$0.0875 per share was declared for the quarter ended December 31, 2021 and paid in January 2022.

**Notes to the condensed consolidated interim financial statements (Unaudited)
Three months ended March 31, 2022 and 2021**

20. Reportable segment information

The Corporation operates through three operating segments: IFM, WAFES and Modular Solutions as described in Note 1. Information regarding the results of all segments is included below. IFM operating segment includes Dana and Tricom. Inter-segment pricing is determined on an arm's length basis.

Three months ended March 31, 2022 (000's)	IFM	WAFES	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue ⁽³⁾	\$ 64,225	\$ 115,094	\$ 43,277	\$ 1,883	\$ (519)	\$ 223,960
Operating expenses						
Direct costs ⁽²⁾⁽³⁾	57,832	98,289	41,036	4,050	(472)	200,735
Selling, general and administrative expenses ⁽²⁾	2,430	1,582	1,801	4,116	—	9,929
Depreciation and amortization	1,605	6,886	1,414	439	—	10,344
Share based compensation	6	42	36	455	—	539
Loss on disposal of property, plant and equipment	—	(264)	1	260	—	(3)
Operating income (loss) ⁽²⁾	2,352	8,559	(1,011)	(7,437)	(47)	2,416
Finance costs	18	95	220	1,110	—	1,443
Earnings from equity investments	—	(475)	—	—	—	(475)
Earnings (loss) before income taxes	\$ 2,334	\$ 8,939	\$ (1,231)	\$ (8,547)	\$ (47)	\$ 1,448
Total assets	\$ 173,653	\$ 337,658	\$ 103,370	\$ 5,408	\$ (1,376)	\$ 618,713

Three months ended March 31, 2021 (000's)	IFM	WAFES	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 38,022	\$ 75,656	\$ 41,948	\$ —	\$ (222)	\$ 155,404
Operating expenses						
Direct costs ⁽²⁾	32,873	59,917	37,723	—	(203)	130,310
Selling, general and administrative expenses ⁽²⁾	1,685	1,503	1,338	3,650	—	8,176
Depreciation and amortization	839	7,582	1,178	469	—	10,068
Share based compensation ⁽¹⁾	29	85	43	436	—	593
Loss (gain) on disposal of property, plant and equipment	—	294	(133)	—	—	161
Operating income (loss) ⁽²⁾	2,596	6,275	1,799	(4,555)	(19)	6,096
Finance costs	—	95	211	998	—	1,304
Earnings from equity investment	—	(752)	—	—	—	(752)
Earnings (loss) before income taxes	\$ 2,596	\$ 6,932	\$ 1,588	\$ (5,553)	\$ (19)	\$ 5,544
Total assets	\$ 111,286	\$ 308,044	\$ 82,962	\$ 11,315	\$ (1,233)	\$ 512,374

- (1) Certain prior year amounts have been amended to conform to the 2021 annual financial statement presentation. As a result, total share based compensation for Corporate, IFM, WAFES, and Modular Solutions as at March 31, 2021, were revised to \$0.4 million, 0.03 million, \$0.09 million, and \$0.04 million, respectively.
- (2) Includes CEWS of nil for the three months ended March 31, 2022 and CEWS of 4.9 million for the three months ended March 31, 2021: IFM - \$0.8 million, WAFES - \$3.7 million, Modular Solutions - \$0.3 million, Corporate - \$0.1 million.
- (3) Corporate results for the three months ended March 31, 2022 include revenue and direct expenses in the amount of \$1.9 million and \$4.0 million, respectively from contractual disputes and remediation work related to contracts in place at the time of the Acquisition of Horizon North Logistics Inc. in May 2020. There were no corresponding amounts in the three months ended March 31, 2021.

21. Financial risk management

Overview

The Corporation is exposed to a number of different financial risks arising from the normal course of business operations as well as through the Corporation's financial instruments comprised of cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings. These risk factors include credit risk, liquidity risk, and market risk, including interest rate and cost inflation risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosure required in the annual financial statements. The annual consolidated financial statements for the year ended December 31, 2021 present information about the Corporation's exposure to each of the business and financial risks and the Corporation's objectives, policies and processes for measuring and managing risk. There were no significant changes to the Corporation's risk exposures, including credit risk, liquidity risk, and market risk, and risks related to the COVID-19 pandemic or the processes used by the Corporation for managing those risk exposures at March 31, 2022 compared to those identified and discussed in the Corporation's annual consolidated financial statements for the year ended December 31, 2021.

22. Related parties

As at March 31, 2022 Dexterra Group has performance and labour bonds outstanding with Northbridge General Insurance Corporation ("Northbridge"), a company with the same controlling shareholder as Dexterra Group, totaling \$31.0 million (December 31, 2021 - \$44.0 million). No fees for these bonds were incurred for the three months ended March 31, 2022 (March 31, 2021 - nil).

**Notes to the condensed consolidated interim financial statements (Unaudited)
Three months ended March 31, 2022 and 2021**

Also, Dexterra Group has certain property insurance policies with Northbridge. This insurance coverage started on September 29, 2021 and the premiums paid were \$0.3 million for coverage through the subsequent 12 month period and are at normal commercial rates.

23. Comparatives

For the period ended March 31, 2022, certain prior year amounts on the statement of financial position have been amended to conform to the current period's presentation.